SENT VIA FEDERAL EXPRESS OVERNIGHT

August 10, 2000

Mr. Bobby Talley
Vice President
Olympic Pipe Line Company
2319 Lind Avenue S.W.
Renton, Washington 98055

CPF NO. 59505H

Dear Mr. Talley:

On June 2, 2000, Mr. Carl Gast, then Vice President and Manager of Olympic Pipe Line Company (Olympic), provided the Office of Pipeline Safety (OPS) with correspondence (enclosed) regarding the In-Line Inspection (ILI) evaluation criteria as discussed during the May 31, 2000, telephone conference. The telephone conference resulted in additional anomaly evaluation criteria being incorporated into Olympic's ILI Plan for the Ferndale to Allen segment of the16-inch pipeline. The application of this additional criteria has proven to be critical for identifying top side anomalies (9:00 to 3:00 o'clock) associated with excavation damage often resulting in pipeline dents with associated gouges and cracks. Excavations of coincident anomalies for the Ferndale to Allen pipeline segment resulted in identifying several dents with associated gouges and cracks. Due to the successful application of the criteria in this segment of pipeline and the critical nature of these anomalies, OPS believes the improved evaluation criteria, as stated below, should be applied to your pipeline system in its entirety. It is my understanding British Petroleum as the new operating partner of Olympic has agreed to the implementation of the improved criteria for the evaluation of anomalies for the entire pipeline system. The purpose of this correspondence is to formalize our understanding of the evaluation criteria as stated below:

The following criteria will be applied regarding the evaluation of ILI survey results for the entire Olympic pipeline system:

1) All deformation anomalies greater or equal to 0.10-inches will be noted for further evaluation.

2) The deformation anomalies identified in Item 1 above will be sorted for top side anomalies occurring from the 9:00 to 3:00 o'clock position on the pipeline.

3) All deformation anomalies greater than or equal to 6 percent of the pipe diameter will be excavated and evaluated for repair.

4) The 1996 Tuboscope MFL data will be evaluated at each location identified in Item 1 above in an attempt to identify coincident metal loss and/or coincident longitudinal weld and/or coincident girth weld.

5) The 2000 MFL data will be evaluated at each location identified in Item 1 above in an attempt to identify coincident metal loss and/or coincident longitudinal weld and/or coincident girth weld.

6) The OPS, Olympic, and Tuboscope ILI Consultants will review the ILI data and eliminate anomalies not meeting the excavation criteria. The Tuboscope data analyst will be allowed to perform initial grading of the logs and the overlay of data without disturbance. The OPS ILI Consultant will have access to any and all data and materials, as he deems necessary, for making an informed opinion regarding the determination of which anomalies must be excavated and evaluated for repair.

7) Any anomaly with a deformation greater than or equal to 0.10 inches, on the top side of the pipe, with a coincident metal loss feature or confirmed coincident weld (longitudinal or circumferential) presence from the MFL data, will be excavated and evaluated. Any anomaly with a deformation greater than or equal to 0.10 inches, on the top side of the pipe (9:00 to 3:00 o'clock position), where the weld (longitudinal or circumferential) can not be confirmed to be non-coincident with the deformation will be excavated and evaluated for repair. Any anomaly with a deformation greater than or equal to 0.10 inches, on the top side of the pipe (9:00 to 3:00 o'clock position) that is considered to be highly suspect of being caused by impact from an outside force due to it's signal character within the MFL data will be excavated and evaluated for repair.

8) Tuboscope will grade all MFL anomalies not subject to the overlay requirements mentioned above to a minimum depth criteria of equal to or greater than 40 percent for straight runs of pipe and 20 percent for areas within 12 inches of circumferential welds.

9) All MFL anomalies having a depth greater than or equal to 80 percent of the wall thickness, or having a B31.G calculation of less than or equal to 100 percent of MOP, will be excavated and evaluated for repair.

10) All confirmation and anomaly excavations will be inspected by an OPS representative prior to re-coating and backfilling the pipeline.

11) The reports for anomaly excavations, and any other requested documentation by OPS, will be provided to OPS as excavations are completed in the format referenced in your June 2, 2000, correspondence and including the following:

- Anomaly Evaluation Site Summary Report
- Deformation 2000 “ASCAN” and “BSCAN”
- MFL 2000 “ASCAN”, “BSCAN”, and ID/OD

12) The OPS will be provided the information in Item 11 by email as the data becomes available followed by a CD-ROM disk as the information is formalized.

The OPS appreciates your cooperation in adopting the improved evaluation criteria assuring improved pipeline integrity for your pipeline system. Additionally, thank you for participating in the public forum held in Bellingham, Washington, on August 8, 2000. If you have any questions regarding this correspondence or other pipeline safety issues please contact me at (303) 231-5701.

Sincerely,

Chris Hoidal
Director

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